

**UNITED STATES DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION**

CENTRAL VALLEY PROJECT

SCHEDULE OF RATES FOR CUSTOM PRODUCT POWER

Effective:

January 1, 2005, through September 30, 2009.

Available:

Within the marketing area served by the Sierra Nevada Customer Service Region.

Applicable:

To Customers that contract with the Western Area Power Administration (Western) for Custom Product Power.

Character and Conditions of Service:

Alternating current, 60 hertz, three-phase, delivered and metered at the voltages and points established by contract.

Formula Rate:

The Customer will pay all costs incurred in the provision of Custom Product Power. These costs will be passed through to the Customer. The methodology used to calculate the amount of the pass through will be based on the type of funding used to purchase the Custom Product Power. Custom Product Power includes, but is not limited to, supplemental power and Base Resource (BR) firming power.

Advance Funding:

Costs for Custom Product Power funded in advance by the Customer(s) will be passed through to that Customer(s) based on the power forecasted for the Customer(s). Unless otherwise agreed to by Western, Custom Product Power funded in advance that is surplus to the load requirements of the Customer(s) will be sold. If the Customer(s) fail to have an account available to receive the proceeds from the sale of surplus Custom Product Power, the proceeds are forfeited to Western and will be applied to the Custom Product Power cost for the Customer(s), to the extent possible.

The table below illustrates the pass through of the Custom Product Power costs for three Customers and the treatment of proceeds from the sale of surplus Custom Product Power. As depicted in the table below, Customers A, B, and C have payment responsibility for a Custom Product Power purchase that was made for them as a group and forecasted for them individually. Customer C must pay for the 3 megawatt-hours (MWh) even though the Custom Product Power could not be used. The proceeds from the sale of the surplus 3 MWh are deposited into Customer C's account.

**CPP Cost Recovery with Proceeds from Sales of Surplus CPP
Advanced Customer Funding with Account**

Western made a CPP purchase of 13 megawatts (MW) for the hour @ \$10/MWh = \$130						
	CPP Forecasted (MWh)	Customer charged for CPP	CPP RR	Surplus CPP Sales	Proceeds from excess CPP sales	Proceeds deposited into Acct
Customer A	6	\$60		0	\$0	\$0
Customer B	4	\$40		0	\$0	\$0
Customer C	3	\$30		3	\$12	\$12
Total	13	\$130	\$130	3	\$12	\$12
Notes:						
1. Western sold 3 MWh of CPP at \$4/MWh = \$12.						
2. Proceeds are deposited into Customer C's escrow account because Customer C's CPP amount was surplus.						

The table below illustrates the pass through of the Custom Product Power costs for three Customers and the treatment of proceeds from the sale of surplus Custom Product Power for the Customer(s) that have not established an account. As depicted in the table below, all Customers must pay for the Custom Product Power forecasted for them individually. Customer C must pay for the 3 MWh even though the Custom Product Power could not be used by Customer C. The proceeds from the sale of the surplus 3 MWh are used to reduce the Custom Product Power costs for the group to the extent possible, since Customer C does not have an account available for the proceeds. If the costs of the Custom Product Power are fully recovered and proceeds remain from the sale of surplus Custom Product Power, the remaining proceeds will be used to reduce the power revenue requirement.

**CPP Cost Recovery with Proceeds from Sales of Surplus CPP
Advanced Customer Funding Without Account**

Western made a CPP purchase of 13 MW for the hour @ \$10/MWh = \$130					
	CPP Forecasted (MWh)	CPP Cost	Surplus CPP	Proceeds from excess CPP sales	Charge per Customer
Customer A	6	\$60	0		\$54.46
Customer B	4	\$40	0		\$36.31
Customer C	3	\$30	3		\$27.23
Total	13	\$130	3	\$12	\$118.00
Notes:					
1. Western sold 3 MWh of surplus CPP at \$4/MWh = \$12.					
2. Proceeds reduce the CPP cost because no account is available for the proceeds of the sale of surplus CPP.					
3. Proceeds from surplus sales reduce CPP costs and are allocated to each Customer based on the amount of CPP forecasted.					

Use of Receipts, Federal Reimbursable, or Appropriations Authority:

If the Custom Product Power is funded through appropriations, Federal reimbursable, or use of receipts authority, the cost of the Custom Product Power is passed through to the Customer(s) that have this power in their final schedule. Custom

Product Power funded through appropriations, Federal reimbursable, or use of receipts authority that is surplus to the load requirements of the Customer(s) will be sold. Proceeds from the sale of surplus Custom Product Power funded through use of receipts, Federal reimbursable, or appropriations authority will be applied to the Custom Product Power purchase cost for the Customer(s) to the extent possible. If the cost of the Custom Product Power is fully recovered and proceeds remain from the sale of surplus Custom Product Power, the remaining proceeds will be used to reduce the power revenue requirement. The table below illustrates the pass through of the Custom Product Power costs to each Customer and the treatment of proceeds from the sale of surplus Custom Product Power funded through appropriations, Federal reimbursable, or use of receipts authority. As shown, Customers A and B are responsible for paying the full costs of the Custom Product Power purchase made by Western (Total Custom Product Power revenue requirement is \$130) because they are the only Customers that had the Custom Product Power in their final schedules. The Custom Product Power revenue requirement of \$130 is reduced by the sales of \$12, which reduces the Custom Product Power revenue requirement to \$118. Therefore, the reduced Custom Product Power revenue requirement of \$118 is prorated to each Customer based on the amount of Custom Product Power in their final schedules.

**CPP Cost Recovery with Proceeds from Sales of Surplus CPP
Use of Receipts, Federal Reimbursable, or Appropriations Authority**

Western made a CPP purchase of 13 MW for the hour @ \$10/MWh = \$130						
	CPP Purchased (MWh)	CPP USED (MWh)	CPP Costs	Surplus CPP sold	Proceeds from excess CPP sales	CPP Customer Charges
Customer A	6	6		0		\$70.80
Customer B	4	4		0		\$47.20
Customer C	3	0		3		\$0.00
Total	13	10	\$130	3	\$12	\$118.00
Notes:						
1. Western sold 3 MWh of CPP at \$4/MWh = \$12.						
2. Proceeds from the sale of surplus CPP reduce the CPP Costs prorated based on the amount of CPP used.						

Western will charge \$31.07 per schedule per day to cover its administrative costs for procuring and scheduling Custom Product Power if the Customer has not contracted with Western for this type of service through other agreements. If the actual number of schedules for the month is not available, Western will estimate the number of schedules for the month and apply the \$31.07 per schedule charge to the estimated number of schedules.

Billing:

Billing for Custom Product Power will occur monthly using the formula rate.

Adjustments for Losses:

All losses incurred for delivery of Custom Product Power under this rate schedule shall be the responsibility of the Customer that has contracted for this service.

Adjustment for Audit Adjustments:

Financial audit adjustments that apply to the revenue requirement under this rate schedule will be evaluated on a case-by-case basis to determine the appropriate treatment for repayment and cash flow management.